

Message Text

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ORIGIN STR-08

INFO OCT-01 EUR-25 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15

TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 OMB-01 /172 R

DRAFTED BY STR:RMATTHEISEN:SMM

APPROVED BY STR:RMATTHEISEN

STATE:W.ADAMS

COMMERCE: W.KRIST

STATE:R.MEIMA

AGRICULTURE: R. PLANK

TREASURY:C.LEIGH

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TO USMISSION EC BRUSSELS PRIORITY

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E.O. 11652:N/A

TAGS: ETRD, EEC, EFTA, GATT

FOR AMBASSADOR MALMGREN

SUBJECT:EC/EFTA AGREEMENTS

1. GATT COUNCIL WILL CONSIDER WORKING PARTY REPORTS ON EC/EFTA AGREEMENTS OCTOBER 19. AT COUNCIL MEETING, US WILL PROPOSE ESTABLISHMENT OF SPECIAL WORKING PARTY TO CONSIDER GENERAL PROBLEM OF ORIGIN RULES IN FREE-TRADE AREAS WITH SPECIAL REFERENCE TO RULES IN EC/EFTA (AND EFTA AND FINEFTA, AGREEMENTS. YOU MIGHT WISH TO DISCUSS HANDLING OF THIS ISSUE WITH EC COMMISSION IN BRUSSELS.

2. RECOMMENDATIONS IN DRAFT US POSITION PAPER FOR COUNCIL

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MEETING ARE AS FOLLOWS: THE US REPRESENTATIVE SHOULD:

(A) NOTE THAT THE US AND A NUMBER OF OTHER MEMBERS OF THE WORKING PARTY HAVE CONCLUDED THAT VARIOUS ASPECTS OF THE AGREEMENTS ARE INCONSISTENT WITH GATT PROVISIONS AND THAT THESE VIEWS ARE SET FORTH IN THE WORKING PARTY REPORTS.

(B) EXPRESS SPECIAL CONCERN REGARDING THE RULES OF ORIGIN.

(C) TRY TO OBTAIN ESTABLISHMENT BY THE COUNCIL OF A SPECIAL WORKING PARTY TO (W1) CARRY OUT A DETAILED EXAMINATION AND ANALYSIS OF THE PROBLEM OF TRADE DEFLECTION AND RULES OF ORIGIN IN FREE-TRADE AREAS AND OF THE GATT RULES. RELATING THERETO WITH SPECIAL REFERENCE TO THE EC/EFTA AGREEMENTS; (2) REPORT TO THE COUNCIL.

3. POSITION PAPER SUGGESTS US REP MIGHT NOTE THAT WHEREAS CUS HAVE LONG BEEN CONSIDERED LEGITIMATE EXCEPTION TO MFN CLAUSE, EXCEPTION FOR FTAS WAS CREATED BY ITO/GATT IN 1947-8. ALTHOUGH NUMBER OF FTAS HAVE BEEN EXAMINED IN GATT -- AND CONCERN HAS OFTEN BEEN EXPRESSED REGARDING EFFECTS OF ORIGIN RULES INTENDED TO COPE WITH TRADE DEFLECTION -- NO DETAILED STUDY OF PROBLEM HAS EVER BEEN UNDERTAKEN IN GATT. IN VIEW IMPORTANCE OF EC/EFTA AND OTHER ASSOCIATION AGREEMENTS AND STRINGENCY OF ORIGIN RULES EMBODIED THEREIN, FUNDAMENTAL EXAMINATION OF PROBLEM URGENTLY NEEDED.

4. CURRENT THINKING IS THAT NEW WORKING PARTY COULD HOLD INITIAL MEETING EARLY NOVEMBER -- PERHAPS CONCURRENT WITH 29TH SESSION OF CPS. AT FIRST MEETING SECRETARIAT WOULD BE ASKED TO PREPARE FOLLOWING PAPERS AS BASIS FOR DISCUSSION EARLY NEXT YEAR:

- (A) NEGOTIATING HISTORY OF RELEVANT GATT PROVISIONS.
- (B) ANALYSIS OF ORIGIN RULES IN FTAS EXAMINED IN GATT AND EXPERIENCE UNDER THEM.
- (C) ANALYSIS OF ALTERNATIVE WAYS IN WHICH PROBLEM OF TRADE DEFLECTIONS MIGHT BE HANDLED IN FTAS.

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5. AT SECOND MEETING OF WORKING PARTY WE MIGHT ASK SECRETARIAT TO DO ANALYSIS OF TARIFF DIFFERENTIALS BETWEEN PARTIES TO EC/EFTA AGREEMENTS. WE NEED TIME BETWEEN NOW AND SECOND MEETING TO EXPLORE POSSIBILITIES WITH SECRETARIAT BEFORE MAKING CONCRETE PROPOSAL. RUSH

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